

Increasing the Contributions to Your Annuity Savings Account

Dear Member:

Your retirement benefit from the Indiana State Teachers' Retirement Fund (Fund) consists of two components: (1) the pension portion and (2) your annuity savings account. The pension portion of your retirement benefit is funded by contributions made by your employer over the course of your career. The annuity savings account consists of contributions that you make to the Fund. Traditionally, the contribution to your annuity savings account has been set at a mandatory rate of three-percent (3%) of your compensation as stipulated by statute [Indiana Code, section 5-10.2-3-2(b)].

During the 2000 Legislative Session, the Indiana General Assembly and Governor O'Bannon enacted a provision that allows you to make voluntary contributions *in addition* to the mandatory three-percent (3%) contributions. You may increase your annuity savings account contributions in whole percentage increments up to an additional ten-percent (10%) of your compensation per pay period. This means that the maximum level of contributions to your annuity savings account under this new provision is thirteen-percent (13%) of your compensation per pay period.

How will the voluntary contributions be invested?

All voluntary contributions to the annuity savings account will be invested in the same manner as your annuity savings account monies are currently invested. You cannot separate the mandatory and voluntary contributions for investment purposes. Specific rules apply to the investment of your annuity savings account. These rules are explained in our booklet entitled, "Investing Your Annuity Savings Account". If you have questions regarding this matter or want to request an investment booklet, please visit our home page on the World Wide Web at: <http://www.in.gov/trf> or contact us at our toll-free number at (888) 286-3544.

What is the taxable status of these contributions?

These additional voluntary contributions are *post-tax*. However, interest earnings on your annuity savings account, including interest from voluntary contributions, will remain tax deferred until you receive payment via withdrawal or retirement. This means that the voluntary contributions will be taxable for income and employment tax purposes when you earn and make contributions. If you have any questions regarding the tax implications of the voluntary contributions, please consult a qualified tax advisor.



Indiana State Teachers' Retirement Fund

After completing the form, what should I do?

Once you have completed the attached form, please submit it to your payroll administrator. Please do not send the form to the Fund as we cannot process your request since this must go through your payroll administrator. Any forms sent to the Fund will be sent back to you. The Fund is not responsible for any delays in the collection of contributions resulting from the improper submission of this form.

What if I want to change the percentage of my voluntary contributions?

Should you decide to make voluntary contributions and later decide to change your percentage, you may do so by completing another form and submitting it to your payroll administrator. Your changes will become effective as soon as your payroll administrator processes your request.

Whom can I contact with questions about voluntary contributions to my annuity savings account?

Increasing your annuity savings account contributions could have a significant impact on your future retirement assets. Should you have any questions, you can contact your payroll administrator for information on the withholding process or the Fund for investment options at (888) 286-3544. You can visit our website at www.in.gov/trf.

ITEMS FOR YOU TO CONSIDER

This savings option is likely one of several savings options available to you. Contact your payroll administrator for more information regarding other potential savings options. Carefully consider all of these options before choosing to participate in a program. For example, some other savings programs may have a corresponding employer matching contribution. Voluntary contributions under this option are not matched by your employer. Other savings programs may be “pre-tax” – contributions are not included in your taxable income – contributions under this option are not pre-tax.

The money that you voluntarily contribute to your annuity savings account is not readily accessible for your use. This money is treated the same as your mandatory three-percent contributions. As such, it is not available until you either withdraw or retire from the Indiana State Teachers' Retirement Fund.

These voluntary contributions are subject to limitations imposed by the Internal Revenue Service. For example, if you are considering purchasing service credit, you are subject to an overall limitation. Please consult a qualified tax advisor if you have questions regarding these potential limitations.